

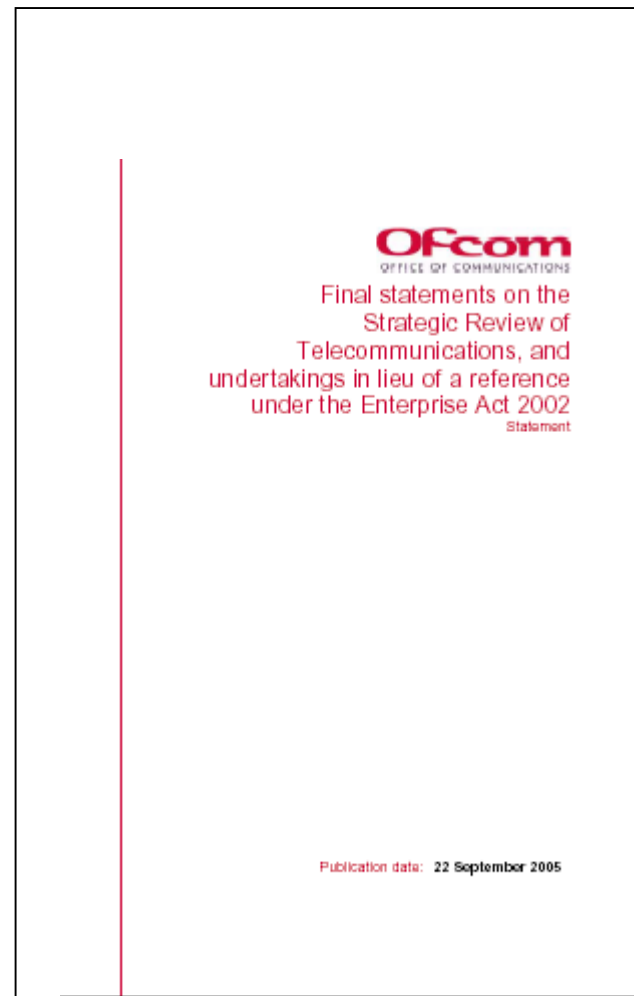
Openreach and BT's Undertakings to Ofcom: 15 months on

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BT Retail**

**Presentation to: Functional
separation: a new remedy? CLEC
Seminar, Brussels, 15 February
2007**



22 Sept 2005: A defining moment for the UK telecoms sector



TSR - the issues, as seen by Ofcom

- Competition is restricted in wholesale markets for **access** and **backhaul** services
- BT has substantial wholesale market power and is a vertically integrated provider with a presence in the directly related retail markets

Ofcom believes this combination gives BT the **ability** and the **incentive** to **discriminate** against its downstream competitors who are also wholesale customers

Key elements of BT's Undertakings

- Establishment of “functionally separate” business unit: Openreach
- Focus on key access and backhaul bottlenecks
- Provision on an equivalence of inputs (EoI) basis
- Transparency, information sharing constraints and duty of confidentiality
- Clear functional separation between upstream and downstream divisions: operational separation, systems separation, asset register split and accounting separation
- Independent oversight and enforcement
- Next Generation Networks to be implemented in an “equivalent” manner

Openreach: a snapshot of the business

Around **30,000** people – all BT's field operations

3.6 million customer visits per year

14 million jobs a year

Each day openreach visits **11,000 homes and offices** and climbs the **height of Everest** up our poles

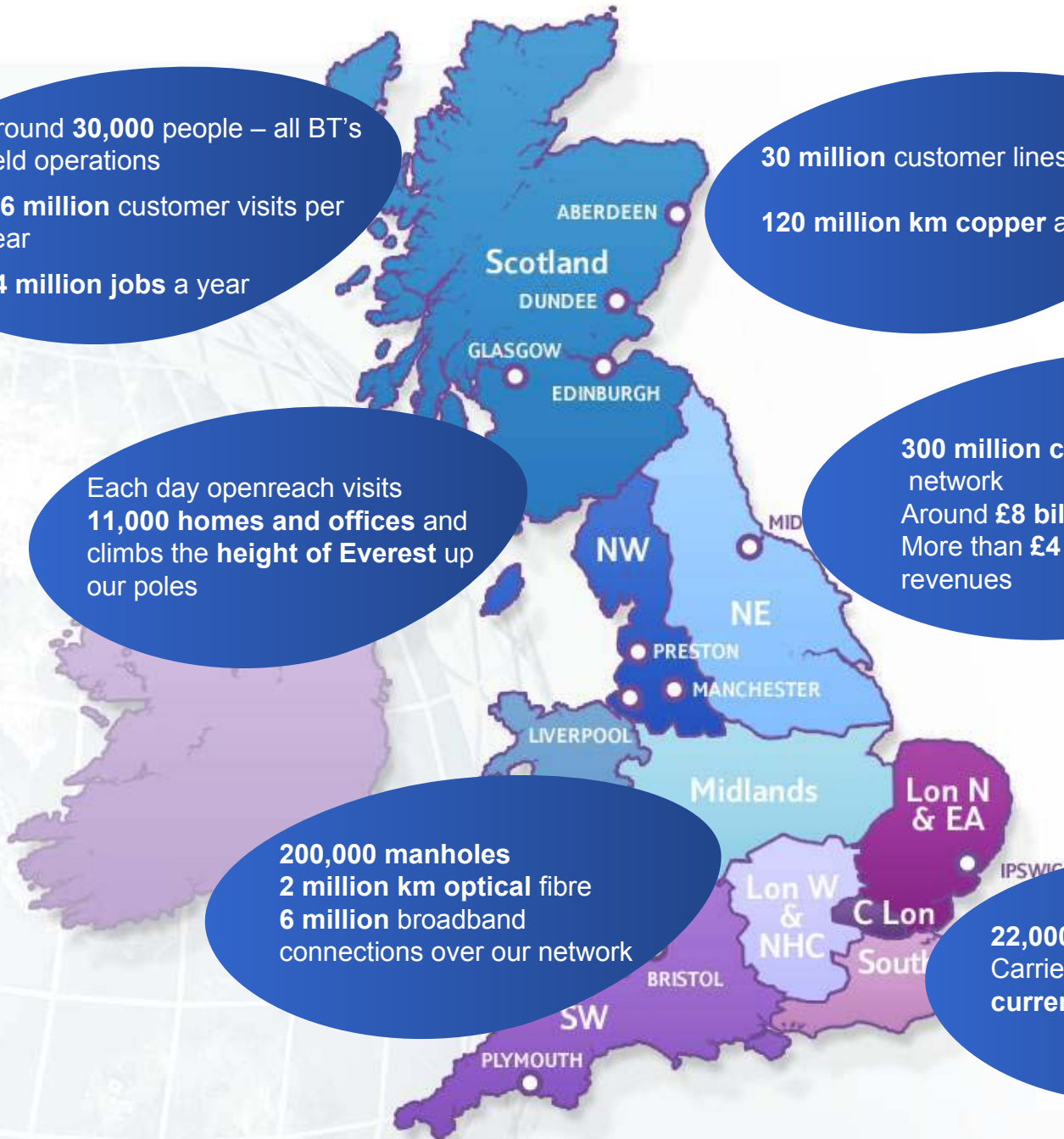
200,000 manholes
2 million km optical fibre
6 million broadband connections over our network

30 million customer lines

120 million km copper access

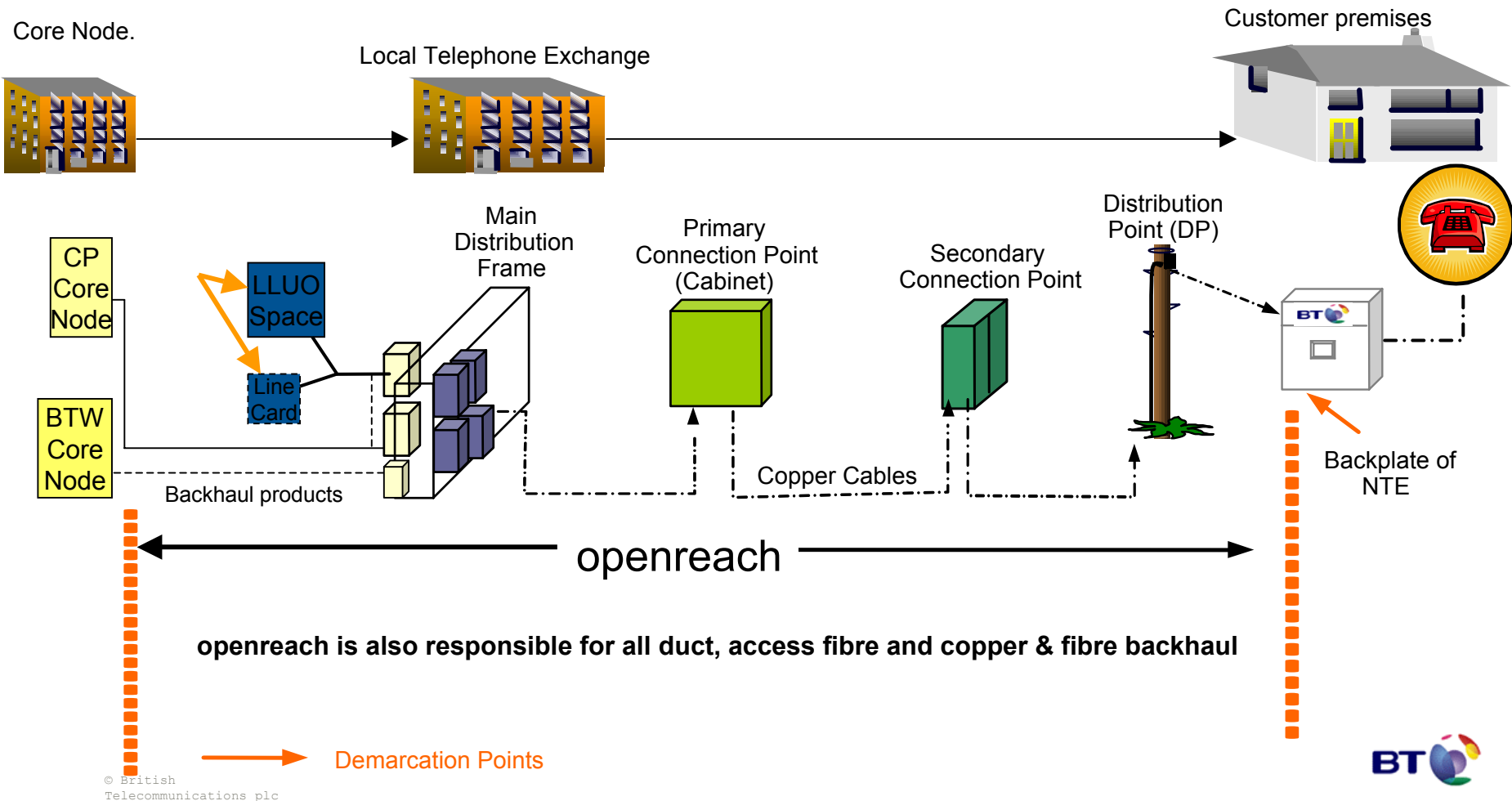
300 million calls a day across our network
Around **£8 billion** assets
More than **£4 billion** projected revenues

22,000 vans
Carries **\$1 trillion** of foreign currency transactions



Openreach – asset ownership

PSTN & ADSL Service



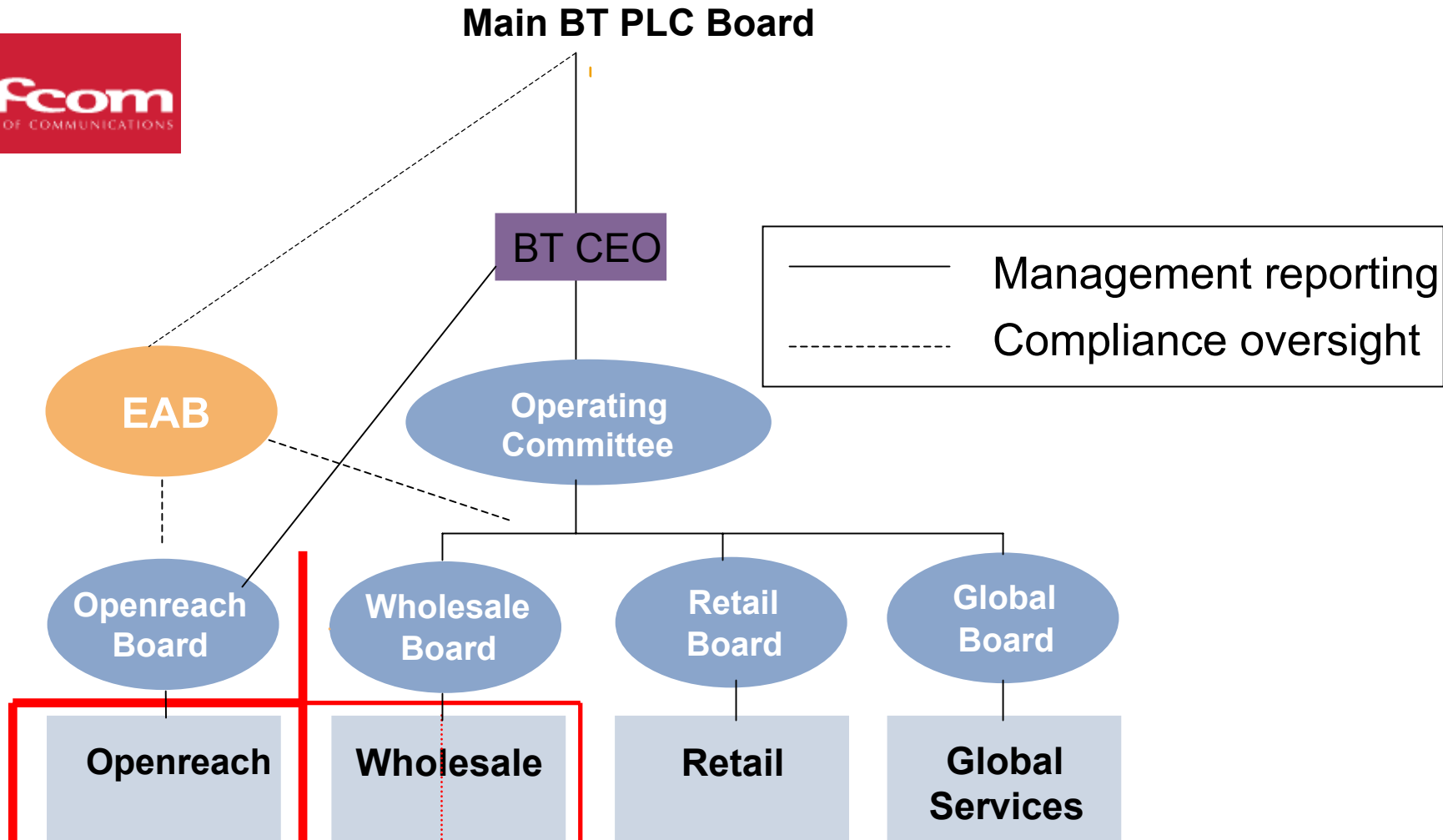
Equivalence of input

- Same products & services for BT & others
- Same time-scales, terms & conditions, incl. price
- Same systems & processes
- Same reliability & performance
- Same commercial information
- Subject only to:-
 - Trivial differences, or
 - Other differences agreed by Ofcom
- Applies to Openreach portfolio plus IPStream

Openreach- portfolio

- Wholesale Analogue Line Rental
 - customer access for analogue voice services
- Wholesale ISDN2 and ISDN 30 Line Rental
 - customer access for digital voice services
- Local Loop Unbundling (full and shared)
 - copper pairs
- Wholesale Extension Service
 - Ethernet partial private circuits from customer to first exchange
- Backhaul Extension Service
 - Ethernet partial private circuits from first exchange to POP or second exchange
- and facility to co-locate specified equipment at exchanges
 - aggregation equipment, video servers, access network termination
- Plus specified future access and backhaul services if requested by a CP

Oversight and monitoring



BT's Undertakings: 14 months on

- Strong record of delivery on commitments by BT
- Formation of Openreach and basis for functional separation
- Greater transparency and independent oversight
- Systems transformation bringing benefits to industry and to downstream BT
- Rate of change in UK market, itself driven by the Undertakings, is increasing need of speed
- Establishment of new brand with age old “problems” in short time frame
- Issues of service performance unrelated to creation of Openreach
- Arguably Openreach allows greater focus and speed to fix

We are delivering on a commercially valuable objective not simply complying with a regulatory mandate



Driving growth in UK telecoms

- 10m BB and LLU connections in the UK (Feb 07)
- 1.5m LLU lines (over 1.3m since the creation of Openreach)
- Openreach handles 30,000 LLU orders per week
- More than 20+ LLU operators, 400 WLR providers
- 1,500 exchanges have more than one LLU operator present
- 20% more provisioning activity this year than last year
- 90,000 joints replaced and sealed

A new era of regulation?

- Increased clarity
- Regulation focused on bottlenecks
- Provided foundation for reduced retail regulation
- Incentive to invest and innovate
- Infrastructure-based competition: benefiting the UK consumer and UK economy

Creating a climate of confidence for infrastructure competition, investment and innovation

For more information

- About BT's 21 CN

<http://www.btplc.com/21CN>

- About BT's Undertakings to Ofcom

<http://www.undertakingsbulletin.com>

- Ofcom

<http://www.ofcom.org.uk/telecoms/btundertakings/>

Thank you